PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
BA DEGREE EXAMINATION MAY 2022
(Third Semester)

Branch – ECONOMICS

MACRO ECONOMICS

Time: Three Hours   Maximum: 75 Marks

SECTION-A (10 Marks)
Answer ALL questions
ALL questions carry EQUAL marks   (10 x 1 = 10)

1. Economic development refers to _____.
   (i) Economic growth.
   (ii) Sustainable increases in Gross National Product.
   (iii) Economic growth plus changes in output distribution and economic structure
   (iv) Improvement in the well-being of the urban population

2. Real GDP is measured in _____ prices while nominal GDP is measured in _____ prices.
   (i) foreign; domestic
   (ii) domestic; foreign
   (iii) current year; base year
   (iv) base year; current year

3. "Supply creates its own demand "is a law of _____.
   (i) investment   (ii) consumption   (iii) market   (iv) demand

4. Entrepreneurs will have no tendency to expand or contract output and employment when _____.
   (i) aggregate demand is grater than aggregate supply
   (ii) aggregate demand is less than aggregate price
   (iii) aggregate demand is grater than aggregate price
   (iv) aggregate demand is equal to aggregate supply

5. Consumption Function depends on _____.
   (i) Income and propensity to consume
   (ii) Propensity to consume
   (iii) propensity to save
   (iv) income and propensity to save

6. The proposed mathematical formula for Keynesian theory of consumption is _____
   (i) $Y = a + bX$ (ii) $C = a + bY$ (iii) $C = a - bX$ (iv) $C = a - bY$

7. An increase in interest rates _____.
   (i) is likely to reduce savings
   (ii) is likely to reduce external value of currency
   (iii) Leads to a shift in the MEC schedule
   (iv) Leads to a movement along MEC schedule

8. The expenditure multiplier is the ratio of
   (i) the change in equilibrium output to a change in the monetary base.
   (ii) the change in the money supply to a change in the monetary base.
   (iii) the change in the money supply to a change in the autonomous expenditure.
   (iv) the change in equilibrium output to a change in the autonomous expenditure

9. LM curve represents the combination of _____.
(i) price and out put   (ii) Demand for money and supply of money
(iii) income and investment   (iv) Money supply and investment

10. In a boom _____.
(i) Unemployment is likely to fall   (ii) Prices are likely to fall
(iii) Demand is likely to fall   (iv) Imports are likely to fall

SECTION - B (25 Marks)
Answer ALL Questions
ALL Questions Carry EQUAL Marks   (5 x 5 = 25)

11. a. Define Macro Economics. Compare economic growth with economic development
OR
b. Summarise the importance of national income analysis.

12. a. State the Keynesian theory of employment and output.
OR
b. Bring out the aggregate demand function.

13. a. Describe the importance of consumption function.
OR
b. Show the factors affecting saving.

14. a. What is investment? Explain factors affecting investment.
OR
b. How acceleration principle is criticized? Examine.

15. a. Prepare the causes of trade cycle.
OR
b. Analyse the Hayek's theory of trade cycle.

SECTION -C (40 Marks)
Answer ALL questions
ALL questions carry EQUAL Marks   (5 x 8= 40)

16. a. Discuss the nature and scope of Macro Economics.
OR
b. Elucidate the methods of measuring national income.

17. a. Critically evaluate the Say's law.
OR
b. Discover the application of Keynesian theory in developing countries.

18. a. Evaluate the theories of relative and permanent income hypothesis.
OR
b. Outline the relationship between saving and investment.

19. a. Define Multiplier and classify the types of Multiplier.
OR
b. Categorize the concept of accelerator.

20. a. Highlight the derivation of ISLM function.
OR
b. Summarise the Keynes theory of trade cycle.

Z-Z-Z   END